

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
PUBLIC UTILITIES COMMISSION)
Instituting a Proceeding to Investigate the)
Implementation of Feed-in Tariffs.)
_____)

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**ALEXANDER & BALDWIN, INC. through its division
HAWAIIAN COMMERCIAL & SUGAR COMPANY'S
FINAL STATEMENT OF POSITION REGARDING
FEED-IN TARIFF DESIGNS, POLICIES, AND PRICING PROPOSALS**

AND

CERTIFICATE OF SERVICE

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TO THE HONORABLE PUBLIC UTILITIES COMMISSION OF THE STATE OF HAWAII:

Pursuant to the Hawaii Public Utilities Commission's (the "Commission") Order Approving the HECO Companies' Proposed Procedural Order, as Modified ("Commission's Order"), ALEXANDER & BALDWIN, INC., through its division HAWAIIAN COMMERCIAL & SUGAR COMPANY, a Hawaii corporation ("HC&S") hereby submits to the Commission its Final Statement of Position Regarding Feed-in Tariff Designs, Policies, and Pricing Proposals.

1. Highlights of HC&S's positions articulated in its Opening Statement of Position.

On February 25, 2009, also pursuant to the Commission's Order, HC&S filed their Opening Statement of Position and Appendix "A": Proposal for Feed-in Tariff Design, Policies, and Pricing Methods. The Proposal, which was a collaborative effort between some of the intervenor parties, identified HC&S's position and proposals regarding key policy and design

elements of a FiT which can serve as a basis for developing tariff sheets following any Commission decision in this proceeding.¹

In its Appendix "A" attached to its Opening Statement of Position, HC&S specifically proposed the following: (i) that biomass be added as an eligible technology during the proposed first round of FiTs; (ii) that biomass be defined as "aquatic or terrestrial plant material, vegetation, or agricultural waste originating in the State of Hawaii, used as a fuel or energy source. Biomass also includes any other material when used on a supplemental basis"; (iii) that Hybrid Facility be defined as "a Renewable Energy Generating Facility that generates electricity from two or more Renewable Energy Sources, or from a Renewable Energy Source and another source used on a supplemental basis"; (iv) that the generation limits for all technologies be increased to 20MW; (v) that the term of the FiT contracts be 20 years; (vi) specific FiT rates for non- wood -burning biomass generators; and (vii) existing Renewable Energy Independent Power Producers ("IPPs") that have Power Purchase Agreements ("PPA") with the HECO Companies be given the opportunity to opt into the FiT program, if established.²

a. Biomass should be included as an eligible technology during the initiation of FiTs:

HC&S proposed that biomass be included as an eligible technology because it has a long and proven track record as a renewable energy source in Hawaii. In fact, biomass using bagasse from sugar cane plantations was the first successful renewable energy technology in Hawaii. HC&S is committed to local growth, local business, and local self-sufficiency through renewable energy investment and development. Broadening the FiT program to incorporate biomass will

¹ Where HC&S took exception to the collaborative document was highlighted in its Appendix "A".

² HC&S noted in its Opening Statement of Position that due to time constraints, it and the several other intervenors that collaborated in drafting the collaborative document did not have a chance to review and comment on HECO/CA's proposed FiT Schedule Agreement. Therefore, where the language of the HC&S proposal differs from the HECO/CA's proposed FiT Schedule Agreement, the HC&S proposal and the Opening Statement of Position will control.

help to provide direct economic stimulus to Hawaii. Local biomass production assists in countering the worsening economic outlook by maintaining jobs in the agricultural sector.

b. Biomass should include alternative fuels, when used on a supplemental basis: In using bagasse from sugar cane plantation operations, it must be recognized that there is an off-season when bagasse is not available, thus, operations such as HC&S must use alternative fuels. Thus, HC&S proposed the definitions for "biomass" and "hybrid facility" to recognize the realities of the off-season and to also recognize that the use of the alternative fuels during off-season allows HC&S to provide Maui Electric Company, Limited ("MECO") with firm power. The firm power that HC&S provides to MECO allows MECO to add more as-available renewable generation on to its system because it provides frequency regulation and grid stability. Thus, if biomass facilities are not paid the FiT rate when it is using alternative fuels, it should be compensated for providing frequency regulation to the grid.

c. In order to meet the penetration goals of HCEI, the generation limits of the FiT must be applied to larger resources: HC&S proposed that non-wood-burning biomass generators up to 20MW be eligible for FiTs. Allowing larger resources to be eligible for FiTs eliminates price and award uncertainty and the laborious and long timelines of a competitive bidding process and/or a bilateral negotiated power purchase agreement ("PPA"). Relative to a competitive bidding process and/or a bilateral negotiated PPA, FiTs will encourage more biomass developers into the market by providing them with a set price and a shortened process, while the uncertainty and time requirements for competitive bidding and/or a bilateral negotiated PPA raises the cost for a developer and, thus, discourages developers and/or causes them to raise their rates.

d. HC&S proposed specific FiT rates for eligible non-wood-burning biomass generators: The proposed rates will encourage non-wood-burning biomass investment and

development in Hawaii to meet the renewable goals set by HCEI. HC&S's proposed rates were based on the feed-in tariff schedule in effect in Germany as of September 2008³, converted from Euros into US Dollars at the exchange rate of €.6812:\$1.0000 quoted as of September 23, 2008⁴ and increased by 25% to take into account inflation and the increased cost of doing business in Hawaii. If the FiT becomes a primary means through which the HECO Companies purchase power from renewable energy IPPs, the rates will be a critical factor in determining whether the FiT encourages renewable energy development or inhibits it. HC&S believes that the rates that it has proposed are a good starting point for the discussion.

e. Existing Renewable Energy IPPs with a PPA should be given an opportunity to opt into the FiT program: HC&S's proposal to allow existing Renewable Energy IPPs with a PPA be given the opportunity to opt into the FiT program, recognizes and gives credit to existing renewable IPPs for helping to deploy renewable energy in Hawaii consistent with the Hawaii Clean Energy Initiative ("HCEI").⁵ Moreover, if existing renewable IPPs were to be given the opportunity to opt into the FiT program and secure a fixed-price contract over a specified term, it would be consistent with the Hawaii Clean Energy Agreement to try to delink from the price of oil.⁶

2. HC&S maintain its positions articulated in its Opening Statement of Position and proposes the following additional Proposals.

HC&S maintains its position as detailed in its Opening Statement of Position and Appendix A, and would add the following proposals: (i) any curtailment to renewable IPPs

³ The Germany feed-in tariff rates were obtained from the Tables of Renewable Tariffs or Feed-in Tariffs Worldwide published by Wind-Works.org at <http://www.wind-works.org/FeedLaws/TableofRenewableTariffsorFeed-InTariffsWorldwide.html>

⁴ Yahoo! Finance Currency Converter (September 23, 2008).

⁵ Although it could be argued that there is nothing stopping the existing renewable IPP and the utility from amending its PPA to adopt the FiT rate, such negotiation is time consuming and costly both for the renewable IPP and the utility. The whole concept of FiT is an offering of a fixed price contract over a specified term with specified operating conditions to eligible renewable energy generators.

⁶ See, Hawaii Clean Energy Agreement at 16.

must be revenue neutral and do no harm to existing IPPs and (ii) that in addition to the automatic two year periodic review that it proposed in its Opening Statement, HC&S is also proposing that there be procedures allowing for renewable energy developers or producers to petition for changes in the tariff for extraordinary circumstances (e.g., financial hardship between the formal automatic periodic review periods).

a. Any FiT program adopted by the Commission should include a “Do No Harm” principle and Revenue Neutrality in regards to curtailments: HC&S supports the “Proposed Solution for Curtailment Issues” advocated by Tawhiri Power LLC (“TPL”). HC&S concurs with TPL that a successful feed-in tariff should facilitate the growth of renewable generation without harming prior investments. Attractive prices and a streamlined subscription process should encourage investors to seriously consider participating in the adopted FiT. Embracing a Do-No-Harm principle should seal their participation as investors realize that the risk of revenue erosion would be minimal. The commitment to safeguard prior investments should also ensure the continued contribution of operating renewable generators to Hawaii’s need for clean energy.⁷

b. Any FiT program adopted by the Commission should include procedures permitting Renewable Energy Developers and Producer to Petition for changes in the tariff due to extraordinary circumstances: Although HC&S supports two year automatic reviews, it believes it is prudent to institute a procedure to file a petition for extraordinary circumstances because the renewable energy business and technology is in a state of development and change. To not allow for petitions would mean that it would be at least two years before any change would occur which could be contrary to the goals of HCEI.

⁷ See Appendix A to Tawhiri’s Final Statement of Position.

3. Agreements reached during the Settlement Conference.

The parties to the Docket, pursuant to the Commission's Order, met on March 18 and 19 for a Technical Conference and Settlement Discussions. During the Settlement discussions, the parties were able to reach the following agreement in regards to the term of the FiT contract:

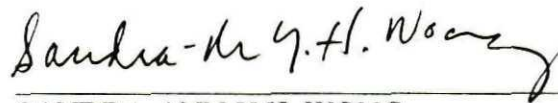
Pursuant to agreement reached during the March 18-19, 2009 technical conference and settlement discussions, the Parties agree that the standard term for a Schedule FIT Agreement should be 20 years for all eligible renewable resources provided that appropriate evidence is presented to support this length of term as consistent with the average expected life of each eligible resource.

4. Conclusion.

HC&S believes that the development of a FiT may be helpful in achieving the aggressive renewable energy goals of the HCEI. However, if a FiT is not designed and implemented properly, it could significantly impede the State's progress toward renewable energy development and integration. If the FiT becomes a primary means through which the HECO Companies purchase power from renewable energy IPPs, the eligible technologies, rates, terms, and conditions will be critical factors in determining whether FiT encourages renewable energy development or inhibits it. Therefore, HC&S respectfully requests that the Commission consider the FiT proposal that it attached to its Opening Statement of Position as Appendix A, along with the additions detailed in this Final Statement of Position.

Respectfully submitted.

DATED: Honolulu, Hawaii, March 30, 2009.

A handwritten signature in cursive script, reading "Sandra-Ann Y.H. Wong", written over a horizontal line.

SANDRA-ANN Y.H. WONG

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The foregoing Final Statement of Position was served on the date of filing by hand delivery or electronically transmitted to each such Party.

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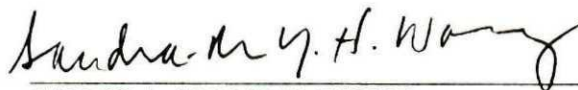
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